

Reconciling Cash and Receivables

Two of the largest assets for a community are cash and receivables. Information pertaining to these is kept by the treasurer, collector, and accountant/auditor. The treasurer is the custodian of the community's revenues, tax titles, and tax possessions, the collector keeps listings of outstanding receivables due to the community, and the accountant/auditor is responsible for maintaining the accounting records. To make sure financial records are accurate and no money is missing, these offices must periodically reconcile their cash and receivable records.

Before reconciliations with the accountant/auditor can occur, the treasurer/collector must keep current and accurate records, which includes the cashbook and receivable control. The receivables control is a record of original entry where the initial tax commitment is reduced by total collections (turnover reports), abatements, exemptions (from the assessors) and tax title transfers, and increased by total refunds. Shortly after the end of each month, the treasurer should internally reconcile the cashbook to all bank statements, and the treasurer/collector should internally reconcile all receivable balances with the receivable control. The results of these activities should be forwarded to the accountant/auditor's office and compared to the general ledger records. If differences are determined, the treasurer/collector and accountant/auditor should meet to discuss the variances (e.g., missing information, errors, and timing differences) with the goal of resolving them. The results of these reconciliations should be reported to the community's management and executive body, verifying the reconciliations took place and providing explanations regarding any variances.

Prompt and frequent reconciliations between the offices are essential in order to maintain control and ensure checks and balances are in place. While each office is responsible for conducting its own independent operation, they share a duty to ensure fiscal accountability. To ensure that information was processed properly and that the financial offices' records are accurate, reconciliations are performed. It is best that these activities be prioritized and completed immediately after the close of the month rather than putting them off to a later time. The lack of timely cash and receivable reconciliations can delay an audit engagement and could result in a comment in the community's management letter. It also could delay and/or impact the certification of free cash.